

# Executive Summary Report

**Appraisal Date 1/1/05 -2005 Assessment Roll**

**Specialty Name:** Business Parks

## ***SALES – IMPROVED ANALYSIS SUMMARY:***

Number of Sales -17

Range of Sales Dates: 1/15/02 – 12/21/04

<b><i>Sales – Ratio Study Summary:</i></b>				
	<b><i>Avg. Improved Value</i></b>	<b><i>Avg. Sales Price</i></b>	<b><i>Ratio</i></b>	<b><i>COV</i></b>
<b><i>2004 Value</i></b>	\$6,893,400	\$7,795,000	.884	13.42%
<b><i>2005 Value</i></b>	\$7,290,700	\$7,795,000	.935	9.70%
<b><i>Change</i></b>	\$397,300	0	+.051	-3.72%
<b><i>% Change</i></b>	<b>+5.76%</b>	0.00%	<b>+5.77%</b>	<b>-27.72%</b>

\*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -3.72% and -27.72% actually represent an improvement.

Sales used in Analysis: All sales verified as good were included in the analysis.

<b><i>Total Population - Parcel Summary Data:</i></b>			
	<b><i>Land</i></b>	<b><i>Improvements</i></b>	<b><i>Total</i></b>
<b><i>2004 Value</i></b>	\$343,131,500	\$713,197,400	\$1,056,328,900
<b><i>2005 Value</i></b>	\$376,030,500	\$721,541,100	\$1,097,571,600
<b><i>% Change</i></b>	<b>+9.59%</b>	<b>+1.17%</b>	<b>+3.90%</b>

Number of Parcels in the Population: 260

## ***Conclusion and Recommendation:***

Assessed values for the 2005 revalue have increased on average of 3.90%.

Four new sales of business park properties occurred in 2004. While rents have continued to soften and vacancies have increased, sales prices indicate market values have ranged from remaining stable to increasing. Capitalization rates have reached record lows. Falling interest rates and demand from investors moving funds from the stock market to more secured investments in real estate undoubtedly has led to this drop in capitalization rates. The result is sale prices are generally remaining stable to increasing in some areas.

Since the values recommended within this report improve uniformity and equity, we recommend posting them for the 2005 Assessment Roll.

## ***ANALYSIS PROCESS***

### ***Specialty***

Specialty Areas – 520 Business Parks

### ***Highest and Best Use Analysis***

**As if vacant:** Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

### ***Special Assumptions, Departures and Limiting Conditions***

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/2002 to 12/2004 (at minimum) were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of two years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

### ***Identification of the Area:***

Name or Designation: Business Parks

Boundaries: The Business Park properties are located throughout King County but are predominantly situated within the Eastside, Kent Valley, and South Seattle market areas.

### ***Maps:***

A GIS map of the entire area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

### ***Area Description:***

The Business Park Specialty Properties are defined as being mostly multi-tenant properties and are generally of a low-rise architectural style with twelve to sixteen foot building heights. The frontage or street exposure tends to have the glass curtain wall and entry to the office space. The rear of the buildings has roll up doors and access to the warehouse and/or light industrial space. They are also defined by their build-out ratio which is below the 40%, typical of High-Tech, and above the minimal 15% to 20% office build out typical of distribution warehousing and light industrial uses. The concentration of Business Parks is in the Kent Valley (Kent, Auburn, & Tukwila) and the Sammamish Valley (Redmond & Woodinville) with a scattering of properties around King County in Bellevue, Renton, Issaquah, Preston, and the South Seattle Industrial area. There are five neighborhoods that have been established for valuation purposes in this specialty.

Neighborhood 520-10 is primarily the Willows area of Redmond, and portions of Bellevue. The second neighborhood is 520-20, which generally encompasses properties in Totem Lake, Overlake, and portions of Bellevue and Renton. The third neighborhood is 520-30, which includes the cities of Kent, Auburn, Tukwila, and Federal Way. The fourth neighborhood 520-40 is the South Seattle Industrial area. The fifth area 520-50 includes business parks located in Bothell and Woodinville.

### ***Physical Inspection Area***

The physical inspection area for the 2005 revalue consisted of the Business Park sales, rental comparables, and various Business Parks located in neighborhoods 10, 20, and 30 which amounted to a total of approximately 20% of the Business Parks in King County.

### ***Preliminary Ratio Analysis***

A Preliminary Ratio Study was done 6-13-05.

The study included sales of improved parcels and showed a COV of 13.42% and a weighted-mean ratio of 88.4%.

A Ratio Study was completed after deriving the 2005 assessment year values. The results are included in the validation section of this report and show an improvement in the COV from the previous rate of 13.42% to a new rate of 9.70%.

## ***LAND VALUE***

### ***Land Sales, Analysis, Conclusions***

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

## ***IMPROVED PARCEL TOTAL VALUES***

### ***Sales Comparison Approach Model Description***

The model for sales comparison was based on five data sources from the Assessor's records; occupancy codes, age, quality, size, and location. There were 17 improved sales within the Business Park Specialty dating from 01/15/02 to 12/21/2004 and considered fair market transactions. These sales were organized by neighborhood. Because of the limited number of comparable sales the sales comparison approach was not used exclusively. These 17 sales were used though in the development of capitalization, rental, expense, and vacancy rates within the income approach. All sales were verified if possible by calling or written inquiry with either the purchaser or seller, inquires in the field, various publications, or calling the real estate agent. Characteristic data was verified for all sales if possible.

### ***Sales Comparison Calibration***

The search for comparable sales was within each economic neighborhood and expanded to include the surrounding neighborhoods within the geographic area. Location, quality, sizes, occupancy use, and effective age were factors considered for adjustment.

### ***Cost Approach Model Description***

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used to automatically calculate cost estimates for all properties. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Cost estimates were also relied upon for special use properties where limited or no income data or market data exists.

### ***Cost Calibration***

The Marshall & Swift Valuation modeling system built into the Real Property Application is calibrated to the western region and the Seattle area. Depreciation is also based on studies done by Marshall & Swift Valuation Service.

### ***Income Capitalization Approach Model Description***

The economic income driven mass appraisal model was used as the primary valuation method.

The Business Park Specialty Properties in King County are divided into five neighborhoods 520-10, 520-20, 520-30, 520-40, and 520-50. The model consists of economic rent tables for the types of interior space that are typically found in these properties. Economic income information was collected predominately from the market place. Other sources of income information include but are not limited to sales reporting services such as “Costar”, data collected in the field (both asking and actual rates), fee appraisals, journals and publications. Economic income tables were then developed to perform an income approach for the Business Parks. These economic income tables are contained at the end of this report.

According to Colliers International 4<sup>th</sup> Quarter 2004 Industrial Market Report, the direct vacancy rate (excluding sublease space) for the Eastside Industrial market area increased from 14.61% in 2003 to 15.86% in 2004. The Business Park vacancy rate for the Eastside was reported at 11.11% for year end 2004. Within the Kent Valley, direct vacancy for all industrial type properties decreased from 11.87% in 2003 to 8.78% in 2004, while Business Parks reported a slightly higher vacancy rate of 12% for year end 2004. For the Seattle Close-In industrial market area, the reported vacancy rate increased slightly from 5.46% in 2003 to 5.86% in 2004. Of the total vacancy reported within the Seattle Close-In industrial market area, Business Parks reported a higher vacancy of 12.14% for year end 2004.

In the “Year End 2004 Industrial Market and Submarket Statistics”, reported by Cushman and Wakefield, the Eastside industrial market experienced an overall vacancy rate (excluding sublease space) of 11.50% , with the Office Service Centers (Business Parks) having a reported vacancy rate of 9.60%. This same publication reported that the industrial market for the Kent Valley experienced an overall vacancy rate of 6.10% while the Office Service Centers (Business Parks) reported a vacancy rate of 9.0%

According to CB Richard Ellis 4<sup>th</sup> Quarter 2004 Industrial Market Brief for the Puget Sound Area: Their survey and analysis indicates that for the Eastside industrial market warehouse shell space rents between \$4.20 to \$7.80 per year per square-foot and the office space in these industrial buildings rent from \$10.80 to \$16.20. In the Kent Valley, warehouse shell space indicates rental rates from \$3.48 to \$5.40 per square foot per year and that office space in these industrial buildings rents from \$6.00 to \$9.00.

The models that are used for this revaluation are based on the building size parameters specific to the specialty and are dependent on effective age and quality data. Vacancy rate, expense rate and capitalization rate ranges were interpolated from data obtained from the market.

**AREA 520-10:**

The rental rates per square foot range from \$12 to \$15.00 for the warehouse office space and \$5.40 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 12% and 10% for all properties respectively. The market capitalization rates range from 6.7% to 9%.

**AREA 520-20:**

The rental rates per square foot range from \$11.40 to \$15.60 for the warehouse office space and \$6.00 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 9% and 10% for all properties respectively. The market capitalization rates range from 7% to 8.75%.

**AREA 520-30:**

The rental rates per square foot range from \$7.20 to \$8.40 for the warehouse office space and \$3.60 to \$5.40 per square foot for warehouse space. The vacancy and expense rates are constant at 10% and 10% for all properties respectively. The market capitalization rates range from 7.00% to 9.50%.

**AREA 520-40:**

The rental rates per square foot range from \$12.00 to \$14.40 for the warehouse office space and \$4.20 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 8% and 10% for all properties respectively. The market capitalization rates range from 7% to 9.50%.

**AREA 520-50:**

The rental rates per square foot range from \$12.00 to \$12.60 for the warehouse office space and \$5.40 to \$6.00 per square foot for warehouse space. The vacancy and expense rates are constant at 12% and 10% for all properties respectively. The market capitalization rates range from 7.25% to 9%.

***Income Approach Calibration***

The models were calibrated after setting base rents by using adjustments based on effective age, and construction quality as recorded in the Assessor's records. There are 20 parcels that are exceptions to the model driven income approach to value. The exceptions are due to excess land or insufficient land to support the economic unit involved. New construction that was a percent complete as of 7-31-05 was valued using the Marshal and Swift Cost Estimator. Parking is assumed to be included in the rent for the office/ warehouse space.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

***Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.***

The values for all parcels were individually reviewed by the specialty appraiser before the final value was selected.

## **MODEL VALIDATION**

### ***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust by particular characteristics and conditions as they occur in the valuation area.

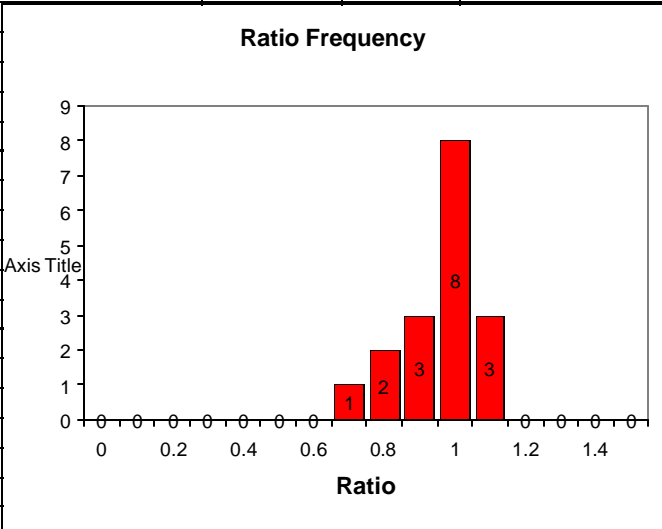
*The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.*

The new assessment level is 93.5% and the COV is 9.70%. All standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2004 and 2005 Ratio Analysis charts included in this report.

The total assessed value for the 2004 assessment year for the Business Park Specialty was \$1,056,328,900. The total recommended assessed value for the 2005 assessment year is \$1,097,571,600.

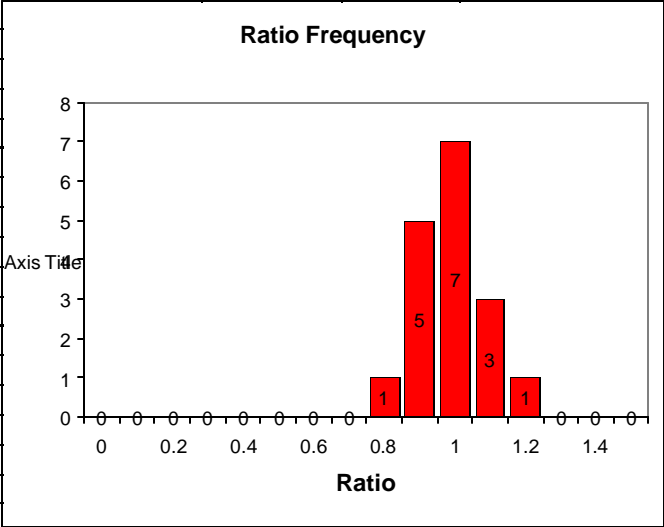
Application of these recommended values for the 2005 assessment year (taxes payable in 2006) results in an average total change from the 2004 assessments of (+) 3.90%. This increase is due in part to changes in the return of investment expected by investors, the increase in demand for commercial real estate properties for investment purposes, since last year, and the previous assessment levels.

## Improvement Ratio Study (Before Revalue) 2004 Assessments

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:				
East Crew	1/1/2004	6/13/2005	1/15/02 - 12/21/04				
Area	Appr ID:	Prop Type:	Trend used?: Y / N				
520-000	STRO	Improvement	N				
SAMPLE STATISTICS							
Sample size (n)	17	<div>Ratio Frequency</div>  <p>A histogram titled 'Ratio Frequency' showing the distribution of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4 with increments of 0.2. The y-axis is labeled 'Axis Title' and ranges from 0 to 9 with increments of 1. There are five red bars with their frequencies labeled on top: the first bar (approx. 0.7-0.8) has a frequency of 1, the second (approx. 0.8-0.9) has 2, the third (approx. 0.9-1.0) has 3, the fourth (approx. 1.0-1.1) has 8, and the fifth (approx. 1.1-1.2) has 3. All other bins have a frequency of 0.</p>					
Mean Assessed Value	6,893,400						
Mean Sales Price	7,795,000						
Standard Deviation AV	6,096,198						
Standard Deviation SP	7,394,850						
ASSESSMENT LEVEL							
Arithmetic mean ratio	0.920	<div>These figures reflect measurements before posting new values.</div>					
Median Ratio	0.970						
Weighted Mean Ratio	0.884						
UNIFORMITY							
Lowest ratio	0.6629						
Highest ratio:	1.0922						
Coefficient of Dispersion	9.55%						
Standard Deviation	0.1234						
Coefficient of Variation	13.42%						
Price-related Differential	1.04						
RELIABILITY							
95% Confidence: Median							
Lower limit	0.837						
Upper limit	1.000						
95% Confidence: Mean							
Lower limit	0.861						
Upper limit	0.979						
SAMPLE SIZE EVALUATION							
N (population size)	260						
B (acceptable error - in decimal)	0.05						
S (estimated from this sample)	0.1234						
Recommended minimum:	22						
Actual sample size:	17						
Conclusion:	Uh-oh						
NORMALITY							
Binomial Test							
# ratios below mean:	7						
# ratios above mean:	10						
z:	0.48507125						
Conclusion:	Normal*						
*i.e., no evidence of non-normality							



## Improvement Ratio Study (After Revalue) 2005 Assessments

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
East Crew	1/1/2005	6/13/2005	1/15/02 - 12/21/04		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
520-000	STRO	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	17	<div>Ratio Frequency</div> 			
Mean Assessed Value	7,290,700				
Mean Sales Price	7,795,000				
Standard Deviation AV	6,508,193				
Standard Deviation SP	7,394,850				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.957	<div>These figures reflect measurements after posting new values.</div>			
Median Ratio	0.981				
Weighted Mean Ratio	0.935				
UNIFORMITY					
Lowest ratio	0.7916				
Highest ratio:	1.1139				
Coefficient of Dispersion	7.24%				
Standard Deviation	0.0928				
Coefficient of Variation	9.70%				
Price-related Differential	1.02				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.872				
Upper limit	1.017				
95% Confidence: Mean					
Lower limit	0.913				
Upper limit	1.001				
SAMPLE SIZE EVALUATION					
N (population size)	260				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0928				
Recommended minimum:	13				
Actual sample size:	17				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	6				
# ratios above mean:	11				
z:	0.9701425				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

## Improvement sales used for Business Parks – Specialty 520

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code
520	030	030150	0050	143,000	2092475	\$12,900,000	12/21/04	\$90.21	OPUS PARK 167	BP	2	Y
					2005912 & 2005913							
520	040	322304	9025	251,501	2005913	\$33,776,000	12/01/03	\$134.30	IAC (Seattle Logistic Center II)		2	Y
520	020	272505	9029	32,234	2077780	\$3,500,000	10/14/04	\$108.58	NORTH CREEK PARK	GC	1	Y
520	050	664110	0050	55,000	2074630	\$3,800,000	09/22/04	\$69.09	PARK AT WOODINVILLE BLDG E	I	1	Y
520	010	282605	9057	48,740	2051961	\$5,850,000	06/21/04	\$120.02	NORTH PARK BUSINESS CTR	BC	1	Y
520	010	240050	0010	68,112	1991355	\$5,100,000	09/21/03	\$74.88	PAC CONCESSIONS INC	MP	1	Y
520	040	766620	5990	45,018	1979056	\$7,000,000	08/06/03	\$155.49	BUSINESS PARK	IG1 U/8	1	Y
520	030	346280	0040	54,660	1966603	\$4,109,426	06/19/03	\$75.18	RIVERBEND BLDG A AKA TRUESOUPS	M1	1	Y
520	010	943050	0140	20,600	1937580	\$2,300,000	02/03/03	\$111.65	TSUKINEKO POLYCOR/ WILLOWS 2	MP	1	Y
520	010	943050	0142	20,250	1937610	\$2,417,500	02/03/03	\$119.38	ALDUS INC	MP	1	Y
520	020	292406	9145	96,000	1934803	\$9,942,500	01/22/03	\$103.57	CASCADE BUSINESS PARK	R	1	Y
520	040	336590	1881	76,224	1933466	\$7,600,000	01/10/03	\$99.71	FAIRWAY CENTER	C/LI	1	Y
520	010	282605	9070	77,072	1927245	\$9,668,000	12/05/02	\$125.44	KIRKLAND 118	PLA 11	3	Y
520	030	883480	0050	167,665	1917859	\$9,200,000	10/23/02	\$54.87	FISHER COMMERCE CENTER	M1	1	Y
520	040	766670	4005	75,864	1897906	\$8,875,000	07/16/02	\$116.99	SEATTLE COMMERCE CENTER	IG2 U/8	1	Y
520	010	943050	0143	20,250	1892593	\$2,176,000	06/19/02	\$107.46	A G INDUSTRIES INC	MP	1	Y
520	040	918800	0010	37,583	1863373	\$4,300,000	01/15/02	\$114.41	OFFICE/WAREHOUSE	IM	1	Y